Dr. Sven Schneider

Annual General Meeting 2023

Munich, 16 February 2023

www.infineon.com

Chief Financial Officer

Dr. Sven Schneider

-The spoken word applies -

Dear Shareholders,
A very warm welcome from me as well!

You have heard it already: Infineon has closed a challenging 2022 fiscal year with a record result. For the first time, we generated more than 14 billion euros in revenue in a single fiscal year. In times of multiple global crises, this record level shows once again how robust our business model is. Infineon is very well positioned. Our business units have once again made a significant contribution to decarbonization and digitalization in 2022. I am therefore pleased to be able to report to you today on a very successful fiscal year.

Infineon achieved revenue of 14 billion 218 million euros in the 2022 fiscal year. In the previous 2021 fiscal year, revenue amounted to 11 billion 60 million euros. We thus achieved growth of 29 percent.

More than half of this increase is attributable to additional volume, for example the expansion of our manufacturing capacities, for example with the 300 millimeter thin wafer plant opened at the Villach site in September 2021 and the continuous capacity expansions in Dresden and Kulim. In addition to expanding our own production capacities, we also increased volumes at most of our contract manufacturers. Furthermore, price increases, product mix improvements, and currency effects, mainly due to the strong US dollar, had a positive impact on revenue. Despite the slightly weakening development in consumer electronics in the second half of 2022, our overall revenue developed very positively - this is evidence of our strong position in the markets relevant to us, which are determined by long-term growth drivers. As Mr. Hanebeck has already mentioned, our key markets include electromobility, renewable energies, data centers, driver assistance systems, and the IoT.

Gross profit amounted to 6 billion 131 million euros. Gross margin thus improved significantly from 38.5 percent in the previous year to 43.1 percent in the reporting year. Here, too, an increasing share of system solutions, pricing, volume, and currency effects as well as high capacity utilization at our production facilities helped us more than offset the impact of sharply rising costs for materials and for supplies from our contract manufacturers, as well as for energy.

Our operating expenses totaled 3 billion 363 million euros in the reporting year and thus increased at a slightly lower rate compared to revenue in the 2022 fiscal year. Research and development costs increased by 350 million euros to 1 billion 798 million euros. This increase shows that we are continuing to invest in our competitiveness and innovative strength with the future in mind. Selling, general, and administrative expenses increased by 211 million euros year-on-year to 1 billion 565 million euros. Research and development costs and selling, general, and administrative expenses as a percentage of revenue were both lower compared to the previous year. This was not only due to the positive revenue trend but also to further synergy effects from the integration of Cypress.

Segment Result was 3 billion 378 million euros. This corresponds to a Segment Result Margin of 23.8 percent compared to 18.7 percent in the 2021 fiscal year. Revenue and Segment Result were thus in line with the forecast, which we adjusted and further increased in the third quarter to reflect the dynamic overall economic situation.

Consolidated net income increased to 2 billion 179 million euros in the 2022 fiscal year. Our earnings per share were 1 euro 65 cents, significantly higher than the prior-year figure of 87 euro cents. Adjusted earnings per share increased from 1 euro 20 cents to 1 euro 97 cents.

Now to our segments:

The Automotive segment continued to be the strongest in terms of revenue. At 6 billion 516 million euros, it contributed 45 percent of Infineon's total revenue. Compared with the previous year, this represents growth of 35 percent. Electromobility, driver assistance systems, and the trend toward higher-value electronic equipment remained the main drivers of our growth in the 2022 fiscal year. In addition to purchase incentive programs, the field of electromobility also benefited from increasingly improved availability of charging stations, a wider range of models at almost all vehicle manufacturers, and a shift in public sentiment toward sustainable technologies. Positive exchange rate effects and higher prices also contributed to the increase in revenue. The Segment Result Margin rose sharply from 16.4 percent in the previous year to 22.9 percent. The higher level of revenue, the improvements in the product mix, and a further reduction in underutilization costs compared to the previous year are all supporting growth in the Automotive segment.

In the Power & Sensor Systems segment, we achieved revenue of 4 billion 70 million euros. This corresponds to growth of 25 percent compared with the previous year. The high demand for semiconductors used in servers, data centers, and telecommunications infrastructure compensated for the lower interest in consumer electronics. In addition to the demand for silicon-based semiconductors, in the past fiscal year we recorded a significant increase in customer demand for our products based on gallium nitride - GaN for short - in the areas of chargers, adapters, and power supplies. Mr. Hanebeck has already presented the advantages to you with the Anker charger example. At 27.9 percent, the Segment Result Margin was above the already high prior-year level of 25.2 percent.

Revenue in the Connected Secure Systems segment amounted to 1 billion 822 million euros. Although this result is at 30 percent significantly higher than the prior-year figure, revenue development was held back by the limited capacities of our contract manufacturers. The strong revenue growth was due to currency effects, higher prices, the product mix, and volume growth in certain applications. Demand for connectivity solutions and microcontrollers remained strong due to the increasing digitalization of applications in the context of the IoT. The trend toward cashless and contactless payment also continued. Likewise, higher demand was recorded for products for secure authentication products, for example brand protection in the area of printer cartridges. Cross-border travel has also picked up again, leading to an increase in demand for sovereign documents. Based on the good revenue performance, the Segment Result Margin also increased significantly from 13 percent in the previous year to 20.7 percent.

Revenue in the Industrial Power Control segment amounted to 1 billion 790 million euros in the reporting period - an increase of 16 percent year-on-year. The business unit benefited from increased volumes and positive price and currency effects. Demand for renewable energies remained at a high level. In this area, we supply products and solutions for the entire energy flow, for example the generation, transmission, and storage of energy, including the charging infrastructure for electromobility. The increasing share of renewables in the energy mix is crucial to achieving CO_2 emission targets. The positive market developments also had an impact on the Segment's Result Margin. At 21.5 percent, this was significantly higher than the previous year's level of 17.8 percent.

Let's take a look at the distribution of revenue by region:

The Greater China region accounted for the largest share of our revenue at 37 percent. This includes Mainland China and Hong Kong with 29 percent of Group revenue and Taiwan with 8 percent. This includes, according to our estimates, around 50 percent of supplies for end products that are subsequently re-exported. The Europe, Middle East, Africa region accounted for 24 percent. Asia-Pacific accounted for 16 percent, Japan for 10 percent, and the Americas for 13 percent of revenue. We continue to pursue our strategy of regional diversification at Infineon.

Let us now turn to selected key financial figures, which also reflect the positive business performance in the 2022 fiscal year. Free Cash Flow amounted to 1 billion 648 million euros in the reporting year. In the previous year, it was 1 billion 574 million euros. We significantly adapted our capital expenditures to the further increase in demand for our products on the market in the future, increasing them from 1 billion 497 million euros in the prior year to 2 billion 310 million euros in the reporting year. This includes, for example, the capacity expansions in Kulim and Villach, which will allow growth in new technologies such as silicon carbide and gallium nitride. Return on Capital Employed (RoCE) was 12.6 percent in the 2022 fiscal year, compared with 8.4 percent in the previous year. Capital employed increased by 2 billion 566 million euros to 18 billion 359 million euros.

Total assets amounted to 26 billion 912 million euros as of 30 September 2022. This is an increase of 15 percent compared to the previous year. Equity increased significantly by 3 billion 543 million euros to 14 billion 944 million euros, while our financial debt fell further from 6 billion 585 million euros in the previous year to 5 billion 662 million euros in the reporting year. Behind this reduction of almost one billion euros is the systematic repayment of the last remaining financing instruments directly related to the acquisition of Cypress: A Cypress convertible bond taken over in the course of the acquisition was repaid on schedule at the beginning of 2022 in the amount of 382 million US dollars. In addition, the last outstanding term loan maturing in 2024, which was taken out in connection with the Cypress acquisition, was repaid in full ahead of schedule in two tranches of 555 million US dollars each. A maturing bond of 500 million euros was repaid as scheduled as well. In return, we successfully placed a new bond for 500 million euros almost exactly a year ago, taking advantage of the historically low interest rate level shortly before the interest rate turnaround. Infineon thus continues to have a balanced maturity profile through 2033 with low financing costs.

Our financing strategy continues to focus on maintaining our investment grade rating. This ensures that we have access to all relevant capital markets and financing sources at all times, enabling us to finance our organic and inorganic growth at low cost and on good terms. This week, the rating agency S&P Global Ratings set our rating to “BBB” with a positive outlook. The main reasons for this are our conservative financial policy, the fact that we meet or exceed our strategic liquidity and debt targets, and our good operating results and successful cash generation. This gives us financial room to maneuver through economic cycles, for example for research and development, organic and inorganic growth, and a profit-oriented dividend policy.

Now to the Infineon share - your share:

As of 30 September 2022, the number of shares issued remained unchanged at 1 billion 305 million 921 thousand 137. The company is currently holding 3 million 689 thousand 901 own shares and therefore not entitled to dividends. In the past fiscal year, the company once again did not buy back any treasury shares over and above its existing holdings.

Members of the Management Board and executive staff receive part of their variable compensation in the form of shares from the Performance Share Plan, executive staff and other selected employees additionally receive shares from the Restricted Stock Unit Plan. Under these two plans, Infineon transferred a total of approximately 856 thousand own shares in the 2022 fiscal year. These shares originate from the existing treasury stock that the company had repurchased in prior years. After the transfer of the shares to the Management Board members and executives, the shares are now entitled to dividends again.

Let me now turn to the performance of your share. Between the beginning of the past fiscal year on 1 October 2021 and the close of the stock market last Monday, the Infineon share price increased slightly by 3 percent. During this period, the share initially had a steep upward trend and reached a high of 43 euros in mid-November 2021. At the end of 2021, the share was still trading just above the 40 euro mark. Then in 2022, technology and growth stocks came under heavy pressure worldwide as a result of recession fears, Russia's invasion of Ukraine, and several rapid interest rate hikes by central banks to curb high inflation. The Infineon share was unable to escape this downward pull and was quoted at a low of around 21 euros at the beginning of July. In relative terms, we lost more market value than our main competitors, and our share price performance was below that of the Philadelphia Semiconductor Index, or SOX, which is relevant for us as well as below the German Share Index (DAX). Neither you nor we can be satisfied with that. The capital markets are very direct indicators that directly reflect relative differences in growth and profitability. In addition, we found that some of our competitors outperformed Infineon right into the summer. Therefore, we have increased our focus on our profitability and raised our long-term financial targets. The publication of the upgraded target operating model was received very positively by the capital market. The combination of a good start to the new fiscal year and the announcement of more ambitious targets has enabled the Infineon share to regain much ground in recent months.

The upgraded target operating model means that, over the cycle, we expect average revenue growth of more than 10 percent based on an exchange rate of the US dollar to the euro of 1.00. The Segment Result Margin is expected to average 25 percent, compared to 19 percent prior. The following factors are decisive in increasing earnings: Our approach “From product thinking to system understanding” creates the greatest possible added value for our customers. A higher-value product/technology mix as a result of consistent portfolio management, the increasing share of our highly efficient 300-millimeter manufacturing, and the disproportionately low growth in functional costs thanks to digitalization and scaling effects are further important factors. Compared with our previous target operating model, a positive contribution from exchange rate effects is also included. This will be offset by price increases, for example in material and personnel costs, as well as the pre-financing of system solutions and the acceleration of the development of new technologies. Taken together, these factors enable us to achieve a Segment Result Margin of 25 percent through the cycle. In weaker market phases, this means a minimum annual margin in the high ten-digit percentage range, while in strong market phases, a Segment Result Margin in the high twenties is expected.

In addition to focusing on profitability, we will also place greater emphasis on liquidity in the future. For the first time, therefore, the investment ratio previously used will be replaced by an explicit Free Cash Flow target. We expect a Free Cash Flow, excluding major frontend buildings, in a range of 10 to 15 percent of revenue over the cycle. In our upgraded target operating model, in mid-November we presented a coherent concept for more value generation. We have received a lot of encouragement along the way, as I can tell from numerous personal meetings with investors. The capital market has confidence in our long-term success and we want to build on this.

This now brings me to our dividend proposal:

The goal of our dividend policy is to allow Infineon's shareholders to participate appropriately in the good results of the past fiscal year. Due to the strong economic development of the company in the 2022 fiscal year and the positive outlook for the 2023 fiscal year, a further, significant increase seems appropriate. In connection with agenda item 2, the Management Board and Supervisory Board are therefore proposing to you a dividend of 32 euro cents per share for the 2022 fiscal year, five euro cents higher than the previous year. The expected total dividend payout would thus rise to 417 million euros, compared to 351 million euros in the prior year.

Now let me turn to the outlook:

The challenging geopolitical and macroeconomic influencing factors, such as the Ukraine war, the further course of the coronavirus pandemic, particularly in China, increased inflation, and higher interest rates, as well as weakening demand for consumer electronics will continue to accompany us in the 2023 fiscal year. We must continue to monitor our markets very closely in order to be able to act quickly and flexibly. Infineon has often demonstrated its ability to stay on course even in choppy waters.

For the 2023 fiscal year, despite a now assumed less favorable euro to US dollar exchange rate of 1.05 instead of the previous 1.00, we continue to expect revenue of around 15 billion 500 million euros plus or minus 500 million euros. Compared with the previous year, this represents an increase in revenue of around 9 percent. In the Automotive and Industrial Power Control segments, revenue growth is expected to be above the Group average in each case. In the Connected Secure Systems segment, revenue growth is expected to be around the Group average. For the Power & Sensor Systems segment, revenue is expected to decline compared to the previous year. In the middle of the revenue range, we anticipate a Segment Result Margin of around 25 percent, compared with 24 percent to date. Investments in property, plant and equipment and other intangible assets, including capitalized development costs, are planned at around 3 billion euros. Free Cash Flow is expected to be around 800 million euros. Adjusted for significant investments in front-end buildings, Free Cash Flow is expected to be around 1 billion 500 million euros.

Dear shareholders, you can rest assured that your company will continue to pursue its ambitious goals with commitment and sustainability in the 2023 fiscal year. Thank you for your confidence in Infineon.

Finally, a few comments on the other items on the agenda of today's Annual General Meeting that have not yet been addressed by Dr. Eder:

Under agenda items 7 and 8, we are asking you to approve the cancellation of the existing authorizations and the granting of new authorizations to acquire and use treasury shares, also using derivatives. The 2018 Annual General Meeting had already granted us these authorizations. Since these two authorizations expire on 21 February 2023, they are to be cancelled and replaced by new authorizations with essentially identical content. The written reports of the Management Board on agenda items 7 and 8 contain further detailed explanations.

Under agenda item 9, the Management Board and Supervisory Board propose the creation of amendments to the Articles of Association concerning the procedures of our Annual General Meetings:

Paragraph 118a of the German Stock Corporation Act, which was introduced in the summer of 2022, makes it possible to stipulate in the Articles of Association that the Annual General Meeting is to be held as a virtual Annual General Meeting. The Articles of Association may also authorize the Management Board to provide for the holding of a virtual Annual General Meeting. Such a provision in the Articles of Association must be limited in time to a maximum of five years.

The Management Board and the Supervisory Board are of the opinion that the virtual Annual General Meeting format has proven its worth over the last two years and that at least the option of holding Annual General Meetings virtually should be retained in the future. The virtual shareholders' meeting in the format provided for by the corresponding new regulations adequately safeguards the rights of shareholders and, in particular, provides for direct interaction between shareholders and the administration during the meeting via video communication and electronic communication channels in a manner similar to the conventional annual in-person shareholders' meeting. Our virtual Annual General Meeting today shows that this works and how it works. However, taking into account the interests of the company and its shareholders, it may also be necessary to hold Annual General Meetings in person. Naturally, however, no practice has yet emerged in this respect. It therefore makes sense, on the one hand, not to stipulate directly in the Articles of Association that a virtual Annual General Meeting should be held, but rather to authorize the Management Board to decide in advance of each Annual General Meeting whether the meeting should be held as a virtual or an in-person meeting. With regard to the period of the authorization, the proposed resolution contains the maximum five years provided for by law.

Based on individual feedback, also from our shareholders, on the duration of such an authorization, the Management Board issued a voluntary commitment on 25 January 2023 to make use of the authorization only within the next two years. In this way, the Management Board wants to enable shareholders to assess for themselves the concrete structure of Infineon's virtual Annual General Meeting as well as the handling of the authorization, in order to decide on this basis again in two years' time within the framework of the Annual General Meeting on the continuation of the authorization and thus the format of future Annual General Meetings.

In order to be more flexible in the selection of a suitable and available meeting room, in particular for in-person meetings, it shall also be possible in the future to hold the Annual General Meeting at locations within a radius of 100 kilometers from the registered office of the company; it shall continue to be possible to select locations at whose stock exchanges the shares of the company are admitted to trading - insofar as this is legally permissible.

In addition, the members of the Supervisory Board shall in future be permitted to participate in the Annual General Meeting by means of video and audio transmission in special cases, in particular if a virtual Annual General Meeting is held.

Thank you for your attention.

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